

Message Text

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ACTION ARA-10

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FM AMEMBASSY QUITO
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C O R R E C T E D C O P Y (SIGNATURE OMITTED)

E.O. 11652: N/A
TAGS: ELAB PINT EC
SUBJ: STRIKE AT US-OWNED COMPANY

1. BEGIN SUMMARY: THE CHINESE-LINE COMMUNIST UNION OF A MAJORITY-OWNED PHILIP MORRIS CIGARETTE FACTORY HAS STRUCK APRIL 29 AND OCCUPIED THE PLANT. THE STRIKE, LARGELY MOTIVATED BY POLITICAL FACTORS, IS LIKELY ILLEGAL, AND THE COMPANY HAS REQUESTED THE GOE TO REMOVE THE WORKERS BY FORCE. THE GOVERNMENT HAS TAKEN NO ACTION AS YET, POSSIBLY FEARING THE POLITICAL CONSEQUENCES OF LABOR VIOLENCE. END SUMMARY.

2. ON APRIL 29, FOLLOWING A LONG PERIOD OF LABOR PROBLEMS, THE WORKERS AT THE TANASA CIGARETTE FACTORY IN QUITO DECLARED A STRIKE AND SUBSEQUENTLY OCCUPIED THE PLANT. TANASA (TABACALERA NACIONAL, S.A.) IS A MAJORITY OWNED SUBSIDIARY OF PHILIP MORRIS. THE UNION INVOLVED IS AN AFFILIATE (CHINESE-RADICAL WING) OF THE COMMUNIST CTE LABOR CONFEDERATION.

3. THE WORKERS, REPORTEDLY LED BY THE SAMY LAWYER WHO PROVOKED FOUR ILLEGAL STRIKES AGAINST FOREIGN FIRMS IN
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FEBRUARY 1976, ARE DEMANDING THE REINSTATEMENT OF A NUMBER OF DISCHARGED WORKERS AND ARE ACCUSING THE COMPANY OF ILLEGAL MOVES TO MAXIMIZE PROFITS AND MINIMIZE SALARIES AND TAXES. THEIR MOST TELLING ACCUSATION IS THAT TANASA HAS CREATED A WHOLLY-OWNED MARKETING SUBSIDIARY WHOSE OFFICERS ARE THE SAME AS TANASSA'S. THIS, THEY CLAIM, IS A DEVICE TO LIMIT THE MONEY PAID TO TANASA WORKERS UNDER THE REQUIRED PROFIT SHARING

PROVISIONS OF THE ECUADOREAN LABOR CODE.

4. THE MINISTRY OF LABOR, NOW ACCUSED OF BEING IN THE COMPANY'S POCKET, HAS ALREADY REJECTED THE UNION CLAIMS. THAT REJECTION LIKELY MAKES THE STRIKE ILLEGAL UNDER THE TERMS OF THE LABOR CODE.

5. ALTHOUGH THERE ARE BONA FIDE LABOR QUESTIONS AT STAKE (AND THE COMPANY'S LABOR RELATIONS REPUTATION IS NOT GOOD), IT APPEARS THAT THE MAIN MOTIVATION FOR THE STRIKE IS POLITICAL. THE CHINESE WING OF THE CTE HAS OFTEN USED THE TACTIC OF ILLEGAL STRIKES AGAINST NOTABLY SUCCESSFUL FOREIGN COMPANIES. THE COMPANY HAS REQUESTED, IN VIEW OF THE ILLEGAL NATURE OF THE STRIKE, THAT THE WORKERS BE REMOVED BY FORCE. THE GOE, HAVING NOT YET RESPONDED TO THE REQUEST, LIKELY IS HESITATING BECAUSE OF THE POSSIBILITIES OF VIOLENCE AND INJURIES THAT COULD THREATEN PUBLIC ORDER. THIS IS A DELICATE TIME FOR THE GOE BECAUSE A NATION-WIDE GENERAL STRIKE OF THE THREE NATIONAL LABOR CONFEDERATIONS IS SCHEDULED FOR MAY 18. ALTHOUGH THE STRIKE SHOULD BE PEACEFUL, LIKE ITS 1975 PREDECESOR, THE POSSIBLE VIOLENCE IN THE REMOVAL OF THE TANASA WORKERS COULD CAUSE A CHANGE IN LABOR'S CURRENT MOOD.

6. SEVERAL WEEKS AGO, WHEN TANASA'S PROBLEMS BECAME SERIOUS, THE LABOR OFFICER ATTEMPTED TO DISCUSS THE SITUATION WITH TANASA'S MANAGEMENT. THE COMPANY REFUSED, SAYING THAT GIVEN THE COMMUNIST POLITCS OF THEIR UNION, THEY WANTED TO AVOID COMPLICATING THEIR PROBLEM THROUGH EMBASSY INVOLVEMENT. BLOOMFIELD

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